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C O N F I D E N T I A L SECTION 01 OF 02 CHENGDU 000158

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SUBJECT: CHENGDU TRANSPORTATION EXPERT CRITICAL OF NEW INFRASTRUCTURE PLANS

REF: 06 CHENGDU 1016

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CLASSIFIED BY: James A. Boughner, Consul General, U.S. Consulate General, Chengdu.

REASON: 1.4 (b), (d)

¶1. (C) Summary: According to a former long-time transportation advisor to Chengdu party secretaries, it is highly unlikely the city will be able to recoup the costs of either a new light rail line to Dujiangyan, still scheduled to begin construction in late 2008 despite the recent earthquake, or a new municipal subway system already underway. Our contact referred to the USD 200 million Dujiangyan rail project as a "white elephant," commented that some post-earthquake resettlement plans involving rural households might be ill conceived, and criticized current government approval processes and mind-sets in which leaders solicit but consistently ignore expert advice. End Summary.

¶2. (C) During a recent meeting with Congenoff, Xinnan Jiaotong University Professor Gao Shilian (strictly protect), a transportation advisor to several Chengdu party secretaries over a period of twelve years, criticized the planned 58-kilometer high-speed light rail line from Chengdu to Dujiangyan scheduled to begin construction in November 2008. Gao is the brother of Henan Province HIV/AIDS campaigner and government critic Dr. Gao Yaojie.

"White Elephant" High Speed Line

¶3. (C) Not mincing any words, Gao noted the Chengdu - Dujiangyan rail line makes "zero" economic sense. The line is too short, the route is poorly planned with an intermediate stop, and potential passengers are too few given that there is already a new highway linking Dujiangyan to Chengdu. (Note: the USD 200 million project is expected to take two years to complete; trains on the line will travel at speeds of 120 kilometers per hour. end note). Gao predicts the rail line will not be able to repay the interest on necessary loans. Typically these projects are done with one-third appropriation and two-thirds loans. Costs will rise even further after ten years when important pieces of equipment will need to be replaced.

¶4. (C) According to Gao, the light rail project was originally proposed ten years ago to the central government. The proposal, however, coincidentally reached then-Premier Zhu Rongji's office about the same time as another initiative to help impoverished Sichuan peasants. Premier Zhu's response was to reject the rail line and take money proposed for the rail line to increase funding for assistance to Sichuan peasants.

15. (C) As Chengdu's former chief transportation advisor, Gao still gets weekly internal updates on municipal transportation developments. Digging has been completed on Chengdu's first subway line, running north-south along Renmin Lu (the city's main boulevard). Equipment is now being installed in the line. Digging has also begun on the second line, which will run east-west, crossing the first line at the Tianfu Square near the Mao statue overlooking the downtown city center. Gao remarked that, as the municipal government long ago transferred land along the route of the subway lines to developers, it could be difficult for the project itself to generate sufficient revenue for the city to recoup the overall cost.

"Scientific Development?" The Leader Still Decides Important Matters

16. (C) Gao commented that, despite talk in government circles about "scientific development" (a Hu Jintao slogan), in reality decisions are made by leaders alone, with little attention paid to advice from advisors. Gao complained that several former students he trained over the decades, including at the doctorate level, have reached high positions of authority in the local Party and government. When they meet, however, their conversations are always limited to pleasantries and not to substantive matters. The officials know they cannot make decisions based solely on expert advice and he knows that they can't. Instead, they talk about other subjects.

Prefab Housing in Dujiangyan

17. (C) Citing as another example of problematic government

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decision-making processes, Gao recounted a discussion he recently had with a farmer from Dujiangyan. Following the earthquake, the farmer was given as temporary housing a prefabricated shelter set up on a flat area in the city. The shelter, however, was over an hour away from his fields. After staying in the prefab briefly, he closed it and went back to his damaged house. The farmer stressed to Gao that his house in the countryside and the houses of many farmers could be repaired if funding would be made available. Temporary houses in the city are of little use to farmers as they are, "too small for raising chickens and too big for raising pigs." According to Gao, the placement of some prefabricated houses in Dujiangyan may have been ill considered.

Comments

18. (C) Gao's criticisms track with what we hear from other local interlocutors about the persistence of "Party think" and continued follow-the-leader mentality in government structures. Some of Gao's concerns relate directly to public finance. How is the construction of major public projects financed, and what will be the consequences down the road if they do not prove economically viable? A scholar at the Sichuan Academy of Sciences commented to us several months ago that Chengdu gets 30% of its revenue from land deals with developers. Given ambitious development plans outlined in the January 2008 Chengdu City Work report, which include not only the two initial lines of the subway system and a rail network expansion of which the Chengdu-Dujiangyan line is just one part, but also a second airport for Chengdu, the problem of paying for the rapid growth of infrastructure may become more pressing. Not discussed by Gao is the possible role played by corruption in determining which development projects and land transfer deals are approved (see reftel).

BOUGHNER